COMPANY RESULTS

SD Guthrie (SDG MK)

2Q25: Results Within Expectations; Better Production Outlook In 2025

SDG reported a 1H25 core net profit of RM990m (+53% yoy), beating our and consensus estimates. The key drivers for 2Q25's strong results were improved FFB production mitigating lower realised ASPs, along with improved downstream profitability. Management has maintained its single-digit FFB production growth target for 2025 and foresees CPO prices staying at RM4,000-4,200/tonne for the rest of the year. Maintain HOLD with an unchanged target price of RM4.75.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25 (RMm)	qoq % chg	yoy % chg	1H25 (RMm)	yoy % chg
Turnover	5,169	*7.3*	*4.1*	9,986	*7.3*
Upstream	2,681	*5.9*	*8.5*	5,212	*15.6*
Downstream	4,496	*4.1*	*7.6*	8,813	*8.1*
Operating profit	793	*5.3*	*25.9*	1,546	*48.9*
Upstream	660	*(12.4)*	*55.7*	1,413	*105.1*
Downstream	126	*55.6*	*(44.0)*	207	*(40.2)*
Net Profit	505	*(10.9)*	*21.7*	1,072	*71.2*
Core Net Profit	496	*0.4*	*18.4*	990	*52.8*
Margins	**%**	**+/- bp**	**+/- bp**		**+/- bp**
Operating profit	15.3	*(0.3)*	*2.7*	15.5	*4.3*
Upstream	24.6	*(5.1)*	*7.5*	27.1	*11.8*
Downstream	2.8	*0.9*	*(2.6)*	2.3	*(1.9)*
Core net profit	9.6	*(0.7)*	*1.2*	9.9	*3.0*

Source: SDG, UOB Kay Hian

RESULTS

- **Above expectations.** After stripping out RM9m of exceptional gains related to PPE disposal gains, SD Guthrie's (SDG) 2Q25 core net profit came in at RM496m (+18% yoy, +0.4% qoq), while 1H25 core profit came in at RM990m, accounting for 61% and 57% of our and consensus estimates respectively. Sequentially, 2Q25 results were flat as weaker ASPs (-9% qoq) were partly offset by improved FFB production (+14% qoq).
- **1H25 operational highlights.** The increase in the group's 2Q25 FFB production (1H25: +3% yoy) was led by all regions across Malaysia, Indonesia and Papua New Guinea/Solomon Island estates. For downstream, sales volume grew 2% yoy with bulk products making up most of its product mix. Sequentially, the better downstream performance was attributable to its differentiated products business as well as higher trading profits.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	22,543	22,414	22,874
EBITDA	3,270	4,102	4,096	3,857	3,765
Operating profit	1,839	2,649	2,546	2,266	2,174
Net profit (rep./act.)	1,860	1,527	1,626	1,488	1,493
Net profit (adj.)	812	1,527	1,626	1,488	1,493
EPS (sen)	11.9	22.5	23.9	21.9	22.0
PE (x)	39.4	20.9	19.7	21.5	21.4
P/B (x)	1.6	1.6	1.6	1.6	1.6
EV/EBITDA (x)	18.0	14.4	14.3	14.8	14.7
Dividend yield (%)	3.2	3.5	3.3	3.0	3.0
Net margin (%)	10.1	7.7	7.2	6.6	6.5
Net debt/(cash) to equity (%)	23.4	22.8	20.2	12.4	5.4
Interest cover (x)	18.7	34.5	36.3	140.4	158.3
ROE (%)	10.4	8.3	8.9	8.1	8.2
Consensus net profit	-	-	1,729	1,764	1,806
UOBKH/Consensus (x)	-	-	0.9	0.8	0.8

Source: SD Guthrie, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.77
Target Price	RM4.75
Upside	-0.1%

COMPANY DESCRIPTION

The largest oil palm plantation company in Malaysia.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	32,987.9
Market cap (US$m):	7,800.7
3-mth avg daily t'over (US$m):	3.9

Price Performance (%)

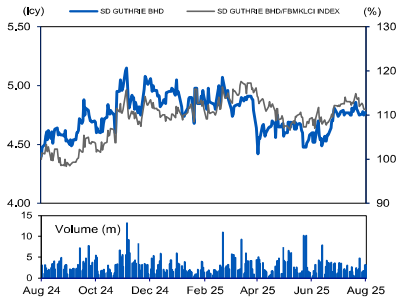
52-week high/low RM5.19 /RM4.30

1mth	3mth	6mth	1yr	YTD
0.2	2.1	(2.6)	7.4	(3.4)

Major Shareholders	%
Amanah Saham Nasional Bhd	53.3
Employees Provident Fund Board	16.3
Kumpulan Wang Persaraan Diperbadankan	7.2

FY24 NAV/Share (RM)	2.90
FY24 Net Debt/Share (RM)	0.72

PRICE CHART



Source: Bloomberg

ANALYST(S)

Lester Siew
+603 2147 1990
lestersiew@uobkayhian.com

STOCK IMPACT

- **2Q25 briefing key takeaways:**
  - **FFB growth.** Management is targeting full-year FFB growth of 3-5% yoy for 2025. Its forward sales position remains relatively light in 2H25 with some sales done at RM4,400/tonne and none locked in for 2026.
  - **Production costs.** Unit CPO costs fell sequentially to RM2,445/tonne from RM2,591/tonne previously. This was partly due to higher production recorded in 2Q25 in addition to slightly lower realised fertiliser prices as well as fertiliser usage.
  - **Downstream outlook.** Despite improved margins seen in 2Q25, profitability in 3Q25 has been compressed thus far by the recent rise in feedstock prices. Management aims to counteract this by delivering more differentiated, higher-margin products to the market in 2H25.
  - **Price outlook.** Management expects CPO prices to average RM4,000-4,200/tonne for the rest of the year.
  - **New verticals.** The group expects minimal contribution by its solar business this year, with its new solar farm coming online only in October/November.

EARNINGS REVISION/RISK

- **Earnings estimates unchanged.** We make no changes to our existing earnings estimates, with 2025 core net profit expected to rise 6% yoy and CPO prices expected to remain flattish yoy at RM4,200/tonne.

VALUATION/RECOMMENDATION

- **Maintain HOLD with an unchanged target price of RM4.75.** Our valuation is still based on 22x 2026F PE (-0.25SD to its historical five-year mean). We like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals in renewables and industrial parks, but deem valuations to be fair at present levels.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- SDG recently announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).
• **Social**
- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
• **Governance**
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

KEY ASSUMPTIONS

	2024	2025F
FFB Production Growth (%)	0.8	4.3
CPO Price (RM/tonne)	4,180	4,200

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**19,831**	**22,543**	**22,414**	**22,874**
EBITDA	4,102	4,096	3,857	3,765
Deprec. & amort.	1,453	1,550	1,591	1,591
EBIT	2,649	2,546	2,266	2,174
Associate contributions	(28)	10	11	13
Net interest income/(expense)	(119)	(113)	(27)	(24)
Pre-tax profit	**2,502**	**2,443**	**2,250**	**2,164**
Tax	(796)	(619)	(570)	(530)
Minorities	(179)	(197)	(191)	(140)
Net profit	**1,527**	**1,626**	**1,488**	**1,493**
Net profit (adj.)	1,527	1,626	1,488	1,493

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025f	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,115	3,547	4,820
Other current assets	520	(1,394)	(3,425)	(5,446)
Total assets	**32,047**	**33,613**	**33,480**	**33,371**
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	516	583	599
Total liabilities & equity	**32,047**	**33,613**	**33,480**	**33,371**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**3,013**	**2,725**	**3,523**	**3,380**
Pre-tax profit	2,621	2,556	2,277	2,187
Tax	(796)	(619)	(570)	(530)
Deprec. & amort.	1,453	1,550	1,591	1,591
Working capital changes	(378)	(881)	21	(76)
Other operating cashflows	113	119	205	208
Investing	**(630)**	**(641)**	**(628)**	**(640)**
Capex (maintenance)	(2,096)	(2,096)	(2,096)	(2,096)
Investments	0	1	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	**(1,621)**	**(1,549)**	**(1,457)**	**(1,461)**
Dividend payments	(1,127)	(1,057)	(967)	(971)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	**762**	**535**	**1,438**	**1,279**
Beginning cash & cash equivalent	**830**	**1,586**	**2,115**	**3,547**
Changes due to forex impact	(6)	(6)	(6)	(6)
Ending cash & cash equivalent	**1,586**	**2,115**	**3,547**	**4,820**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.7	18.2	17.2	16.5
Pre-tax margin	12.6	10.8	10.0	9.5
Net margin	7.7	7.2	6.6	6.5
ROA	5.1	5.3	4.8	4.8
ROE	8.3	8.9	8.1	8.2
Growth				
Turnover	7.6	13.7	(0.6)	2.1
EBITDA	25.4	(0.2)	(5.8)	(2.4)
Pre-tax profit	14.1	(22.2)	(7.9)	(3.8)
Net profit	16.3	(24.8)	(8.5)	0.3
Net profit (adj.)	16.3	(24.8)	(8.5)	0.3
EPS	88.0	6.5	(8.5)	0.3
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.2	12.4	5.4
Interest cover (x)	34.5	36.3	140.4	158.3

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